

**Nov. 24, 2008 Minutes : Facilitation of Community Choices Committee**

The Committee met at the Bangs Center. The meeting was called to order at 9:02 AM

**Members Present**, Stan Gawle, Irvin Rhodes , Richard Spurgin , Alison Donta- Venman , Martha Hanner, Jerry Jolly , Joan Golowich , Katherine Vorwerk Feldman and Bob Saul

**Members Absent** : Isaac Ben-Ezra,

**Others Present** : John Musante, Andy Steinberg, Larry Kelly and Stephanie O’Keefe

**Approval of minutes** : On a motion by Joan Golowich and a second by Alison Donta Venman, the minutes of the Nov. 20, 2008 meeting were adopted with only the following changes:

1. In the accompanying text in the override statement, add the following statement: Others think that an FY2010 override is necessary to preserve essential services while Town leaders develop a restructuring plan.
2. Under economic development, the minutes should reflect that the committee approved the economic development recommendation striking only the words consistent with the Master Plan.
3. The meals and lodging tax recommendation was modified to read that “ The Committee recommends that our local officials pursue a local option meals tax and lodging tax.
4. The fee increase recommendation was modified to read: The Committee recommends that fees be increased and that some free services become fee based.
5. Minutes should reflect that our next meeting was set for Monday Nov. 24<sup>th</sup> at 9:AM.

1. **Last Draft**; Martha reported that the editing committee had met on Saturday and that a final draft would be e-mailed this evening.
2. **Calendar**: The committee reviewed the calendar and noted that a presentation was made at Town Meeting on Nov. 10<sup>th</sup>.
3. ***Under the current economic conditions, the Committee recommends a Level Funding budget scenario for FY2010.*** This means, regrettably, cuts, some severe, in all budget areas. We hope that a combination of reducing to a core budget in FY2010 and concerted efforts on the part of our elected officials to control costs and increase revenues will limit these service cuts to the near future and allow level services going forward by FY2012 –2014. Community feedback overwhelmingly appears to support Level Services, with a moderate bias towards Priority Restorations for the School budgets. However, given the projected revenue shortfall, the uncertainty in State aid and in the pace of local economic development, we find it unrealistic to recommend a more optimistic scenario than level funding at the present time.

Irv and Jerry were ok with the language.

Rich agreed with the language as he has been in support of level services

Stan said that the resources wouldn’t be there to restore to level services even in five years.

Alison said that she agreed that we may not return to current level services.

Joan was in favor of allowing some increases rather than level services and the outlook was bleak.

Kathy said that level services was confusing in this context since the level services three years from now would be different than today.

After further discussion, on a motion by Martha and a second by Joan, the committee voted to strike the rest of the sentence after the word future.

4. ***The FCCC recommends that the Select Board, School Committee and Library Trustees define a core budget to fit within the anticipated revenues.*** The Committee does not foresee that a balanced budget can be achieved by cutting all services equally, particularly if State aid decreases. Priorities must be set and difficult choices made. These priority budget decisions should be formulated at the Library, Municipal, Elementary, and Regional school levels, beginning immediately, so that the FY2010 to FY2014 budgets can be built upon the concept that the town must provide only certain services and everything beyond the core must be carefully evaluated.

The Committee agreed with the additional wording change.

***The Committee recognizes that an override will probably be necessary at some point in the next 5 years to sustain even the most essential school and municipal services.*** All members agree that an override will not solve Amherst's long-term budget gap and substantial cutbacks will be necessary regardless. Committee members hold a range of views regarding the timing of an override and the criteria that must be met before considering an override. Some members are against seeking an override vote for the FY2010 budget; they fear it would be an excuse to postpone difficult budget decisions. Others would favor keeping that option open if State aid decreases significantly. Others think an FY2010 override is necessary to preserve essential services while town leaders develop a restructuring plan. We recommend that a menu override approach be used, to allow voters a choice of where to direct the revenues.

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***5. leading sentence to precede the next group of recommendations***

*The Committee has reviewed various options for closing the funding gap and we make the following recommendations to achieve the goals stated above.*

***The Committee recommends pursuing economic development, but notes that economic development will have, at best, a moderate financial impact in the next few years.***

***The Committee recommends that our elected officials pursue a local option meals tax and increased local option lodging tax.*** These taxes require action by the State Legislature. These taxes may have a significant impact on revenue, but it is beyond the scope of this Committee to assess the likelihood that they will be implemented

***The Committee recommends that fees be increased and that some free services become fee based.*** The Committee finds broad support in the community for increased fees. Fees can help to sustain specific programs that might otherwise be cut, but they will have low impact on the overall revenue shortfall.

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***Committee was in support of the leading sentence statement and adding and increased local option lodging tax .***

***The Committee is concerned about the future pension and retiree health care liabilities.***

Unless there is State legislation to mitigate the obligation to fully fund these trust funds by 2028, the Town faces increases of several million dollars annually in pension and retiree healthcare contributions, as described in our Report.

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6. Payment in Lieu of Taxes (PILOT) with the University, Hampshire and Amherst College:

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***The Committee recommends formalizing relationships with these educational institutions through PILOT agreements, to provide for predictable augmentation of Town revenues. The Committee also recommends that an accounting be done, perhaps by an independent accounting firm, to determine the cost of delivering specific services to these schools.*** The Committee is aware that these institutions have been negatively affected by the vaporization of the substantial financial gains of the past decades and acknowledges that any guarantee of payments in lieu of taxes has to occur in the context of mutual benefit for both the Town and these schools. Also, the Committee realizes that the schools provide substantial benefits that exceed those concrete benefits that can be counted as tax receipts or fees. However, in light of the magnitude of the budget cuts that will be necessary, and the threat to the Town's unique quality of public education, it seems appropriate that the three Amherst educational institutions find tangible, intangible, and extraordinary means to support the Town during a period of unusual budgetary stress. Once again, these institutions will be more likely to cooperate if they see the Town's decision-makers exercising discipline as they set budget priorities

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***The following initial comments were made;***

Irv stated that while the Town Manager had come up with a cost determination, there were other ways John said there is no right way to do these cost accountings.

Jerry likes the idea of a formalized agreement but not sure about the cost accounting

Rich said he was ok with it

Stan said that the wording was weak and that the public was upset that the colleges hadn't done their fair share. He noted that Hampshire College has not paid for fire/ambulance and that the President of Amherst College last year stated that he wouldn't agree to a formal agreement.

Alison said she shares some of Stan's reasoning; not strong enough and that it should include Irv's cost accounting. She read her statement regarding Pilot.

Joan agreed with Alison's statement but not with the cost accounting because of lack of funds.

Kathy agreed with Alison's statement but not cost accounting language as UMASS had no money.

Bob thought that Alison's statement was the right approach and that mutual agreement on figures from mutually agreed sources works well in his business.

Martha said she agreed with cost accounting and Alison's statement.

**MOTION:** Martha made the motion which was seconded by Alison to adopt the substitute language as follows:

***The Committee recommends that our elected officials immediately begin work on securing increased financial contributions from our three resident institutions of higher education – Umass, Amherst College, and Hampshire College – through formal Payment in Lieu of Taxes (PILOT) agreements.***

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**The Committee also recommends that an accounting be done, perhaps by an independent cost accounting firm to determine the cost of delivering specific services to these institutions and towns.**

Committee voted 9-0

***New Statement – Recommended by John Musante to capture the essence of the concerns about personnel costs.***

***7. The Committee sees the need to hold personnel costs to a more sustainable level.***

Personnel costs accounted for 86% of Amherst's spending in FY 09. The public sector is labor-intensive, so it is not surprising that employee compensation and other personnel-related costs make up most of the town's budget. Finding a way to limit the growth in personnel-related costs to a sustainable rate is therefore essential to the overall fiscal stability of the town. Once the FY2010 budget is brought into balance through some combination of efficiency measures, service cuts, and new revenues, the town and the schools should each manage their personnel costs so that the combination of salaries, employee health benefits, and staffing levels grow at a sustainable rate. This can be achieved by four methods: a) continuing to make progress in achieving more cost-effective employee health insurance plan design, b) restricting future COLAs, c) reducing staffing, and d) some combination of the previous three.

Comments:

Irv- what does sustainable mean- suggested wording such as more realistic level that reflects area economic conditions.

Jerry- OK with language

Rich - happy with language

Stan- agreed with Irv regarding definition of sustainable- very unworkable; in favor of re-opening contracts.

Joan felt wage increases should reflect the revenue stream

Kathy was ok with language as is.

Bob was in favor of not using sustainable. Need to forestall the impending budget emergency.

Martha was ok with language.

**MOTION:** On a motion by Martha and a second by Bob, the committee voted 8-0 for a new first sentence as follows: ***The Committee sees the need to hold personnel costs to a level more in line with projected revenues. The rest of the text was approved.***

***8. UMASS Campus Center Hotel***

Stan proposed that the committee recommend that the Town file legislation to require the Campus Center Hotel to pay a local lodging tax.

After considerable discussion, a motion was made by Martha and seconded by Kathy to recommend that ***The Committee recommends that town officials seek legislation to require that the Campus Center Hotel at UMass be subject to the local option lodging tax. Vote was 8-0***

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**9. Reduction of property tax revenues to fund Capital Expenditures Stan's proposal**

**The Committee recommends that the Town reduce its property tax allocation for capital expenditures from approximately \$2.5 m to \$1.9 million. We recommend that the 600,000 reduction be allocated as follows: \$480,000 to schools and the remaining \$120,000 to municipal services . These funds would be used to reduce the severity of cuts caused by a level funded budget The Town utilizes approximately \$2.5 million in property taxes to fund capital expenditures. Other municipalities utilize a**

combination of reserves and debt exclusion overrides to fund their capital purchases. Property tax contributions from capital have been reduced in prior fiscal emergencies.

Comments:

Stan felt that there now was a time for hard choices and that our capital budget was funded at the Mercedes level and we should be funding a Ford. These funds could be re-allocated to enhance the core budgets.

Irv proposed that part of capital allocation and reserve be used to reduce cuts .

Rich was not in support of the proposal which he said was a short term fix at the expense of capital.

Jerry felt there was a need for the Town to look at the possible re-allocation of capital funds.

Alison didn't agree with specific levels

Joan agreed with Rich.

Kathy said it was easier to cut capital in the past and that is why the current policy is in effect. But at this point we may have to re-visit policy.

Bob was in favor of the specific recommendations but not Stan's characterization.

Martha was opposed.

**MOTION: On a motion by Martha and a second by Irv, the committee voted the following recommendation by a 5-3 vote: The Committee recommends that the Select Board *look carefully at the money allocated to the Capital budget, with an eye toward possible reallocation of a portion of these funds to other budget areas***

***Meeting adjourned 11:00***